

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC

In the matter of)	
)	
GTE CORPORATION,)	
Transferor,)	File No.
)	
and)	
)	
BELL ATLANTIC CORPORATION,)	
Transferee.)	
)	
For Consent to Transfer of Control)	

Declaration of Hubert R. Stallard

1. My name is Hubert R. Stallard. I am president and chief executive officer of Bell Atlantic - Virginia, Inc. ("Bell Atlantic"), with oversight of the company's external affairs, regulatory and financial matters. I have held this position since 1985.

2. My job duties include monitoring and responding to growing competition to Bell Atlantic's local exchange operations in Virginia, as well as being aware of any opportunities presented to Bell Atlantic that might include the offering of local exchange service in GTE's Virginia territories.

Bell Atlantic and GTE Operations in Virginia

3. Both Bell Atlantic and GTE are franchised incumbent local exchange carriers in Virginia that operate in separate, non-overlapping local service areas. Bell Atlantic mainly serves the concentrated urban areas of the state, including Richmond, most

of Northern Virginia, and most of Hampton Roads. GTE mainly serves smaller low density and non-urban pockets.

4. As a general matter, Bell Atlantic and GTE do not compete today providing local service in one another's local service areas. Bell Atlantic is not providing, and has no plans to provide, a general competitive service offering in GTE's local service areas. GTE had requested certification to provide local service in areas served by Bell Atlantic and had signed a form interconnection agreement, but withdrew the certification application yesterday. To my knowledge, GTE never provided competing local service, purchased any services for resale or any unbundled network elements, or interconnected with Bell Atlantic or exchanged any traffic as a CLEC.

Potential or Actual Competition with GTE

5. Bell Atlantic has not entered and has no plans to enter GTE's service areas with a general local service offering. Bell Atlantic is not certified to provide local service in GTE's service areas and has not signed any interconnection agreements with other incumbent local telephone companies in their territory. Indeed I am aware of no analysis undertaken since 1996 by Bell Atlantic of the merits of establishing a competing local exchange operation in GTE's Virginia territory. Since the NYNEX merger, no group or person within Bell Atlantic has had the mandate of undertaking such an analysis.

6. Prior to January 1996, the language of the draft Telecommunications Act defined "out of region" territory as any area not actually served by a BOC. As a result, Bell Atlantic believed it would be able to offer long distance service in non-Bell Atlantic territories in Virginia the instant the Act passed. During this period, Bell Atlantic

considered offering long distance service in these in-region “out of region” territories, in part to obtain experience offering long distance service before receiving approval to provide long distance to customers in its own local service areas.

7. As part of this effort, Bell Atlantic did analyze the possibility of establishing – as an adjunct to its anticipated launch of long distance service in these areas – CLEC operations in GTE’s Virginia territory during this time period. Some limited preliminary analysis of an in-region Virginia CLEC opportunity had been undertaken by my staff in the 1995 time frame, and a more comprehensive analysis was started in November 1995.

8. The final language of the Act, however, defined all of Virginia, including GTE’s territories, as “in-region” and therefore outside the area in which we could provide long distance service. As a result of this change, Bell Atlantic was forced to launch its out of region long distance service elsewhere, and the accompanying in-region CLEC research therefore became inapplicable.

GTE’s Virginia Territories Would Not Be Priorities for CLEC Activity

9. I am aware of no analysis conducted since 1996 within Bell Atlantic on the feasibility of establishing CLEC operations in GTE territory. Moreover, there simply would be no compelling reasons for Bell Atlantic now to enter GTE’s territory on a significant scale in the foreseeable future, and several factors weigh against such entry.

10. First, the actual experience of offering long distance service out-of-region has been far below expectations. Bell Atlantic’s disappointing results selling long distance service in the adjacent state of North Carolina have deflated prior rosy corporate predictions about selling outside Bell Atlantic’s existing local service area. Despite

geographic proximity and significant brand awareness, Bell Atlantic gained a paltry 0.1% of the long distance market in North Carolina – not an attractive base for a CLEC strategy. This is key, because the previous analysis assumed that CLEC operations would be undertaken only if they were preceded by a successful long distance offering.

11. Bell Atlantic's current strategy incorporates the lessons learned from these disappointing results. Once Bell Atlantic obtains section 271 relief, its long distance strategy is to focus on selling to its existing in-territory customers with whom it has an existing relationship. Bell Atlantic does plan to offer long distance to anyone in-state who wants it, and there no doubt will be some limited spill-over into GTE territories. But this limited spill-over would not be a driver for a CLEC effort.

12. Second, GTE's territory does not contain sufficient concentrations of business customers which would form the cornerstone of any CLEC strategy. Every other successful CLEC of which I am aware – MFS, Winstar, TCG and many others – started out by cherry-picking business customers who would have sufficient revenues to justify large capital investments. GTE's Virginia territory does not contain even one headquarters of a Fortune 1000 company. The percentage of business lines in GTE's territory – 26% – is low compared to the percentage in Bell Atlantic's Virginia territory – 35%. The only conceivable opportunities in GTE territory are limited to companies headquartered in Bell Atlantic territory but with a plant or two in GTE territory; a few smaller companies; and governmental bodies like airports, jails and city or county office buildings. These opportunities would not support a wide-scale CLEC strategy in GTE territory.

13. Third, these limitations are reflected in Bell Atlantic's actions since the 1996 Act was passed. If entry into GTE's territories was attractive, Bell Atlantic could have pursued that opportunity over the last two years. It has not. Instead, we have pursued only extremely limited opportunities, to the extent permitted to a non-certificated carrier. For example, we provide some services at Dulles International Airport, which lies on the border of Bell Atlantic and GTE's territories in Northern Virginia. Bell Atlantic operates pay telephones at Dulles. It won this contract in competition with GTE and Sprint. Bell Atlantic resells GTE's transport services and provides only the payphone services themselves. In addition, the Washington Metropolitan Airport Authority currently is reviewing a proposal by Bell Atlantic to provide SONET-based services to Dulles Airport. The Authority currently leases a "shed" from Bell Atlantic at Horsepen Road. The Authority owns private fiber from the shed to Dulles Airport. Bell Atlantic would install SONET facilities to terminate in the shed, and the Authority would carry the traffic to Dulles. Bell Atlantic has calculated that this arrangement would displace 5 or more primary rate interfaces (PRIs) from GTE, a negligible fraction of the overall number of PRIs in Bell Atlantic's Virginia operations and presumably GTE's. Finally, Bell Atlantic provides the Airport Communications System ("BAFIS") for Dulles. Essentially this is a system of private switches that serves the airport's internal telecommunications needs.

14. In another case, Cox Communications, a cable company that has an extensive fiber network that reaches many city facilities in Virginia Beach, met with Bell Atlantic in August of this year to discuss a possible alliance to serve the city offices in GTE's territory. Bell Atlantic, however, has not agreed to pursue this possibility.

15. Fourth, there appear to be much more tempting potential targets other than GTE for a Bell Atlantic out-of-region CLEC operation. It is my understanding that Bell Atlantic will compete with SBC and BellSouth once it merges with GTE. The targeted areas in these territories are more urban and have much higher concentrations of business customers than GTE's Virginia territory. Given limited resources, large-scale entry into GTE's Virginia territories does not make sense on its own merits, and makes even less in light of other opportunities.

16. Finally, I doubt that Bell Atlantic, as the largest carrier in the state, would be permitted to simply cherry-pick the most lucrative customers of the smaller telephone companies elsewhere in the state. To the contrary, I expect that we would be saddled with more onerous requirements to serve a large customer base, making the economics of providing competing local service unattractive.

All of GTE's Customers and Competitors Will Benefit Now from the Merger

17. Competition to Bell Atlantic. Bell Atlantic faces rapidly increasing competition in Virginia, but GTE is not even on the radar screen in terms of perceived potential additional competition.

18. Competitors use three paths of entry into the local market – the construction of new networks, the use of unbundled elements of the incumbent's network, and resale. CLECs are aggressively using all three entry paths to challenge Bell Atlantic in Virginia.

- Bell Atlantic has entered into 31 interconnection agreements in Virginia.
- Bell Atlantic has entered into 31 resale agreements in Virginia. As of July 1998, CLECs were reselling nearly 11,000 Bell Atlantic lines in Virginia.

- Bell Atlantic has provided roughly 4,000 ported numbers to competitors in Virginia. (A ported number generally indicates that the customer is served by a competitor's switch.)
- Bell Atlantic has provided 15,000 interconnection trunks in Virginia that enable it to exchange traffic with competitors.
- Bell Atlantic estimates 40,000 CLEC provided, facilities-based lines are in Virginia.

19. GTE As a Potential Competitor to Bell Atlantic. Prior to GTE's withdrawal of its application for certification, GTE and Bell Atlantic signed an interconnection agreement in Virginia. It was one of 31 competitors to have done so. But unlike the 22 other companies that actually have entered the market, GTE never took any further steps to compete. To the contrary, all it did was sign an interconnection agreement virtually identical to an agreement negotiated between Bell Atlantic and another carrier.

20. I am not aware of anyone at Bell Atlantic who has perceived GTE as a serious potential competitor, particularly compared to the many well-run and well-capitalized companies that already are actual competitors. Those competitors include AT&T/Teleport, WorldCom/MCI/MFS, Sprint, and cable companies like Cox in the Tidewater area and Jones Intercable in Northern Virginia. Had GTE chosen to do more than sign an interconnection agreement, its entry would have been insignificant to existing actual competition.

I, Hubert R. Stallard, hereby declare under penalty of perjury under the laws of the United States that the above is true and correct to the best of my knowledge and belief.

Hubert R. Stallard